

Message Text

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ORIGIN AF-06

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

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AF/EPS:AJILLSON

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R 301512Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY KHARTOUM

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E.O. 11652: N/A

TAGS:EFIN, SU, US

SUBJECT: KH CEMENT PLANT PROJECT

REF: KHARTOUM 0266

1) FOLLOWING RECEIPT OF REFTTEL, NORTHCUTT ELY, LEGAL COUNSEL FOR BUTTES GAS AND OIL CO., CALLED AT AF/E TO MAKE STRONG APPEAL FOR MORE FORCEFUL EFFORT BY EMBASSY KHARTOUM ON BEHALF OF KH CEMENT PLANT PROJECT. ELY EXPLAINED THAT BUTTES HAD WORKED NEARLY 18 MONTHS ON PROJECT, OBTAINED ALL NECESSARY LICENSES FROM GOS, AND ALREADY INVESTED TOGETHER WITH ASSOCIATES MORE THAN \$3 MILLION PLUS ANOTHER \$10 MILLION IN EQUIPMENT VIRTUALLY ALL ON HAND AND PAID FOR COMMITTED TO THE PROJECT. ACCORDING TO ELY, UNTIL THIS MONTH ALL LEVELS OF GOS, INCLUDING ALL MINISTERS, HAVE NOT ONLY APPROVED AND INDORSED PROJECT, BUT IN FACT HAVE ENCOURAGED BUTTES TO CONTINUE TO MAKE SUBSTANTIAL COMMITMENTS TO THE PROJECT. ELY NOTED THAT BUTTES IS AN

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IMPORTANT COMPANY (ONE OF 50 LARGEST COMPANIES IN

CALIFORNIA) AND HAS BEEN INVOLVED IN MAJOR PROJECTS IN IRAN AND SHARJAH. ELY ALSO STRESSED THAT KUWAITI PROMOTERS ARE PRIVATE AND NOT REPRESENTING GOK. HE UNDERSTANDS THEY HAVE BEEN SHOPPING IN US FOR CAPITAL TO USE IN THEIR SUDAN

CEMENT PROJECT SO PROBLEM OF GOS NOT WANTING TO TROUBLE ITS RELATIONS WITH GOK WOULD NOT ARISE.

2) BASED ON ABOVE AND EMBASSY'S REPORTING ON THE PROJECT IT APPEARS THAT KH HAD INDEED BEEN GIVEN REASONABLE ASSURANCES THAT THEY WERE PROCEEDING PROPERLY AND THAT LATEST TURNABOUT IN MINISTRY OF INTERIOR SOMEWHAT ARBITRARY. WE SEE DEFINITE UTILITY IN YOUR POINTING OUT TO GOS AT HIGH LEVEL THAT NEWS OF ITS BEHAVIOR TOWARD KH COULD HAVE SERIOUSLY NEGATIVE IMPACT ON GROWING NUMBER OF U.S. FIRMS INTERESTED IN OPPORTUNITIES IN SUDAN. IT IS ALSO OBVIOUS THAT IF BUTTES DOES NOT BECOME CONVINCED THAT EMBASSY DOING EVERYTHING APPROPRIATE ON THEIR BEHALF, THEY WILL RAISE ISSUE WITH CONGRESSMEN AND OTHER POTENTIAL ADVOCATES IN USG. IN ORDER TO FORESTALL ADVERSE REACTION FROM BUTTES, WHO SEEM JUSTIFIED IN THEIR IRRITATION AT TURN OF EVENTS WITH GOS, DEPT CONCURS THAT YOU MAKE POINTS SUGGESTED IN REFTTEL WITH PRESIDENT NIMEIRI SHOULD YOU SEE HIM OR WITH FINANCE MINISTER BIHEIRY IF NIMEIRI MEETING DOES NOT MATERIALIZE SHORTLY. KISSINGER

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